

RURAL HIGH-SPEED INTERNET ACCESS TASKFORCE MEETING

Public Hearing January 7, 2008 Hannibal-LaGrange College Hannibal, Missouri

ATTENDANCE LIST

Taskforce Members

Sen. Wes Shoemyer, District 18
Rep. Mike Dethrow, District 153 (via phone)
Paul Berra, Sr. (for Bill Placke)
Chuck Bryant
Michael Hearst (for Dan Ross)
Dr. Craig Klimczak (via phone)
Arthur Martinez (via phone)
Bill Mitchell (via phone)
Bill Rohde
John Sondag (for Cindy Brinkley)
Tracy Weddle (via phone)
Michael Zarrilli
David Klindt

Staff Members

Jerry Dowell
Bob Donnelly
Elizabeth Hobbs (via phone)

Guests

Denise Bennett
Rep. Rachel Bringer, District 6
Woodrow Burt
Scott Callicott
Terri Daw
Andy Fanning
Garry Gupton

Witnesses

Julie Andresen
Terry Daw
Robin Fitzgerald
Greg Fritts
Todd Hays
Jesse Heimer
Lynn Hodges
F. Shane Mayes
Amy Meyer
Rep. Brian Munzlinger, District 1
Phillip Shatzer
John Wood
W. Alan Winders
Frank Withrow

Gordon Ipson CEcD, FM
David Klindt
Ewell Lawson
Rep. Paul Quinn, District 9
Daniel L. Strode
Steve Sutter
John Wood

1. Welcome and Introductory Remarks - Senator Wes Shoemyer, District 18

In the absence of Lt. Governor Peter Kinder, Senator Wes Shoemyer called the meeting to order at approximately 3:03 p.m. Senator Shoemyer welcomed everyone present. He thanked President Woodrow Burt of Hannibal-LaGrange College for hosting the meeting.

2. Roll Call of Members

Sen. Shoemyer asked Jerry Dowell to call the roll. Jerry asked the taskforce members joining the meeting via the conference call to state their names for the record.

3. Public Testimony

Sen. Shoemyer began the public testimony portion of the meeting. He reminded everyone who wished to speak that they needed to fill out a witness form. The following people were asked to come forward and testify:

➤ 1st Witness: Lynn Hodges – Ralls Technologies

Mr. Hodges stated that Ralls Technologies is a rural high-speed wireless internet provider, working out of the Ralls County Electric Co-Operative offices in New London, MO, which provides fixed wireless and satellite high-speed connection in the northeast Missouri area, which includes Ralls, Marion, Pike and Audrain Counties. Mr. Hodges said the greatest problem for rural customers is lack of availability of reliable high-speed internet access. He stated the unreliability of fixed wireless systems is generally caused by 'line-of-sight' problems such as distance, terrain, trees, etc. Mr. Hodges reported there is a huge demand in rural areas for high-speed, newer technology internet services in the rural areas. He said they really want to upgrade their services; however the expense of building towers, building out the network and getting T-1 connectivity prevented them from keeping up. He reported the economic growth potential of rural Missouri is certainly being limited by the lack of access; when companies and people consider locating in their area, they ask about electricity, water and high-speed internet access. Mr. Hodges said the Ralls County Electric Co-operative Board had invested a lot of money to help build out the system but, in order to build out enough to fully meet the demand for high-end residential and business internet access in their area, financial help, such as low interest loans or grants, is desperately needed from the legislature.

➤ 2nd Witness: Greg Fritts – USDA Rural Utilities Service

Mr. Fritts testified that he is a field agent for the USDA Rural Development Utilities Program, an agency which finances telecommunications companies operating primarily in rural areas. He reported they have required their borrowers to build broadband compatible networks for the past several years. He stated it's extremely disturbing how many rural areas have no access to any type of high-speed internet service. He reported he had personally experienced internet access problems when trying to send or download files with dial-up service and had to use satellite internet service for about three years until the office in Washington installed a vertical private network. He said DSL internet service finally became available in his neighborhood, 10 miles north of Columbia, MO, about a year ago. Mr. Fritts said there are no maps or databases available to help him determine how underserved many rural areas are. He stated he usually has to physically travel to areas applying for grants to investigate and talk to the people there because the local Utilities are rarely able to provide exact information on the specific areas they serve; the number of households and the types of services they provide to specific areas. He said this information is crucial to determining if the grants will be received by areas that have no internet service, as opposed to an area where a new company will be competing with an existing company. Mr. Fritts said he agreed with Mr. Hodges that high-speed access is a necessity. He reported they now require all companies to do a cost comparison of whether it's cheaper to build a traditional copper or a fiber-optic network, if they are not applying for loans to build fiber networks. He said almost every time building a fiber network is cheaper on initial first cost; unfortunately it isn't always cheaper to add fiber-optic to an existing copper network. Mr. Fritts stated another problem is internet providers are not regulated by the Missouri Public Service Commission and he does not believe there will ever be universal high-speed internet service in rural Missouri until the government requires it. He stated an important part of being able to require such services will be to put methods in

place that will make a business case to financially support it. Mr. Fritts remarked he felt only a state or federal mandate would really help the situation.

➤ 3rd Witnesses: Robin Fitzgerald – Mark Twain Council of Regional Governments

Ms. Fitzgerald testified that access to high-speed internet service is very important to rural areas from an economic development standpoint. She stated if a community does not have access to high-speed internet, they are usually not considered for new business opportunities. Ms. Fitzgerald said communities not only have to compete with other parts of Missouri and other states, they also have to compete with other countries. She concluded her remarks by stating that high-speed internet access is not a luxury, but a necessity for the economic growth of rural communities.

➤ 4th Witness: Shane Mayes – CEO, Onshore Technology Services in Macon, MO

Mr. Mayes stated Onshore Technologies is a rural outsourcing company, which provides software development and integration and other technology services in an outsourced fashion in competition with off shore vendors in India, China, Mexico, Russia and Brazil. He said his company opened in February 2005; currently has 40 employees; is opening a 2nd office in Lebanon, MO and has plans to open offices in other parts of Missouri. Mr. Mayes said the trend of large American companies outsourcing their information technology services to countries such as India and China, has largely been due to low cost of wages and large available workforces as opposed to large cities in the United States, which have large available workforces but the employees expect higher wages. He said he decided people in rural communities were a large, highly trainable workforce source and because the cost of living in rural areas is less expensive, wage expectations are lower and this makes it more affordable for U.S. companies to employ U.S. citizens. He said he chose Macon and Lebanon because those cities had already taken the initiative and had run fiber to every business and household in their area. Mr. Mayes stated his company could only open offices in communities with access to high-speed internet. He said having high-speed communications available throughout the state is one of many ways to promote growth and win back as many jobs as possible. Mr. Mayes reported his company had developed a learning management system for the Missouri University of Science and Technology on which all their certificate based non-credit programs can be run. He said high-speed internet for all rural communities would allow people to more easily access this learning management system on-line, improve their education and skills and compete for jobs. He stated with 300 million people, Missouri is “population challenged” when compared with China and India, which each have 1 billion people. Mr. Mayes stated that not only do we need to make high-speed internet available to every Missourian, but we have to identify the “next step beyond this” or the United States of America will not remain the number one economy in the world. He said with universal high-speed internet access we can create over 10,000 jobs in Missouri because information technology services is a business which can provide high economic impact and there is the great demand for it.

➤ 5th Witness: Frank Withrow & Denise Bennett – Macon County Economic Development

Mr. Withrow testified he doesn't know a lot about the internet, but he does know about employing people. He stated that by running fiber-optics to every business and home in Macon, MO, we have recruited On-Shore and another company from Atlanta, GA and have retained companies that might have left Macon. He said this has brought economic growth to their community on many levels. Mr. Withrow said without high-speed internet, rural areas are very handicapped.

➤ 6th Witness: Keith Mudd – Farmer from Ralls County

Mr. Mudd was not present to testify.

➤ 7th Witness: Amy Meyer – State of Missouri Farmers Union

Ms. Meyer testified that the State of Missouri Farmers Union is a statewide family farm organization representing about 1,500 members. She said she and her husband operate a farm north of Hannibal. Ms. Meyer said she can relate to the stories she has heard regarding poor internet access because she works from her home for her job with the Farmers Union office in Jefferson City. She stated she also wanted to emphasize the importance of flexibility, affordability and reliability of internet service. Ms. Meyers reported that 69% of U.S. farms had internet access, but the majority only had the very slowest type of dial-up access, which makes it very difficult for them to conduct much business via the internet. She stated the Missouri Farmers Union supports an effort to provide competitively priced, high-speed internet access to rural America and thinks it should be a main priority of the government. Ms. Meyer said the Farmers Union urges collaborative efforts by public-private partnerships to leverage internet-based technology to promote producer niche-market opportunities. Ms. Meyer stated high-speed internet access has become essential to create a sustainable rural economy. She suggested internet providers should be offered tax incentives to provide services and urged to invest in bringing high-speed service to rural areas. Ms. Meyer concluded by saying she applauded the efforts of the task force and offered information about a tax credit program in Illinois.

➤ 8th Witness: Alan Winders – City Administrator, City of Vandalia, MO

Mr. Winders testified that the City of Vandalia has been a wireless ISP since May 2004 and copied the service from the City of Paris, MO. Mr. Winders said Vandalia became a service provider because they could not find any providers willing to come there; they decided their businesses and residents needed wireless internet access; it's a good economic development tool; and providing this service has probably kept businesses and people from leaving Vandalia. Mr. Winders said they used funds from their Electric and General Fund to start, but as of December 2007 all the funds have been repaid. He reported there are competitive service providers coming into their area and he believes it's because they were able to demonstrate a large demand for high-speed internet service. Mr. Winders stated he was proud of the City Council's decisions and how quickly they were able to accomplish their objectives. He said today it can discourage people from staying in, moving to, or returning to an area if it does not have broadband access. Mr. Winders stated that he was formerly the City Administrator of Storm Lake, Iowa and explained that a six million dollar, general obligation bond issue that was passed and the funds were earmarked to "over-build" the city with a fiber-optic network. He stated within 60 days they had proposals from 2 service providers and for a \$3,000 investment the community was able to secure broadband access and millions of dollars of private investment.

➤ 9th Witness: Phil Shatzer – Superintendent, City of Paris

Mr. Shatzer stated in the fall of 2001, numerous business people, such as an insurance company, a hotel and the local bank, told him they would either like to or were required to have internet service. He said he started looking for an internet provider and he couldn't find one willing to come in, so he contacted a few other city administrators and asked how they had procured internet service in their cities. Mr. Shatzer reported after this information was gathered, the Mayor sent out a county appeal asking people if they would be interested in receiving high-speed wireless internet service if the City of Paris was able to provide it - within three days 100 people had signed up. He reported they 'jumped right in, head first' and within a month they began providing service to about 150 customers in March 2002. Mr.

Shatzer said by August 2006, there were 2 DSL providers, 1 cable provider and 1 wireless provider in Paris, MO. He stated they were happy with the variety of competition in their city so the City of Paris sold their wireless internet provider network to a private company. Mr. Shatzer remarked in a few years they will probably have to think about finding ways to build a fiber-optic network.

➤ 10th Witness: Todd Hays – Farmer in Monroe City, MO

Mr. Hays testified he is currently only able to receive dial-up internet service. He remarked they could not get DSL in their area and had tried wireless internet, but they were not able to receive a reliable signal where they live. He said they are on a waiting list for satellite service, but was still waiting after over a year. Mr. Hays said trying to download files with dial-up service is a very slow, very frustrating process. He said having faster internet would save him time and money by allowing him to accomplish more business from home instead of driving into town to try to find needed information. He remarked he had always tried to use the latest technologies on his farm and now he feels he is not easily able to keep up on the latest trends.

➤ 11th Witness: John Wood – U.S. Wellness Meat Company

Mr. Wood testified about his internet meat company, which was started November 7, 2000. He reported 97% of their revenue comes from outside the state of Missouri, with sales in all 50 states and several foreign companies. Mr. Wood said this internet business is a type of ‘Value Added’ agricultural business which can go many, many directions; can bring revenue back to Missouri; and can bring young people back to the land. Mr. Wood stated they started up with dial-up service, but currently have wireless service that really isn’t quite fast enough. He said he and his neighbors need faster internet service for their company which promotes value added Missouri agricultural products to the world.

➤ 12th Witness: Representative Brian Munzlinger, District 1

Rep. Munzlinger testified that the whole idea is to improve the state’s economy through high-speed internet access and studies have shown it is extremely important for growth. He said in his area AT&T and CenturyTel and 2 small wireless companies are the internet providers, but they don’t offer services to everyone in the area. Rep. Munzlinger suggested if these companies are not able to service the area, maybe they should sell them to other companies who can provide service. He said mandates requiring companies to provide high-speed internet; requiring access to water towers and other vertical assets be allowed for reasonable fees; and giving sales tax exemptions, sales tax credits, incentives, etc. to companies willing to invest in equipment and other assets used to deploy internet services into the rural areas could be solutions. Rep. Munzlinger concluded by saying we need to be connected to high-speed internet and reliable cell phone service in rural Missouri to make it in the future.

➤ 13th Witness: Julie Andresen – Library Director, Hannibal-LaGrange College

Ms. Andresen stated they are very pleased with their high-speed access with MOREnet. She also wished to thank the Representatives for their support of MOREnet and for helping to even the playing field for rural Missouri public schools, libraries, and academic institutions.

➤ 14th Witness: Jesse Heimer – Live Auction Ltd

Mr. Heimer stated he wanted to address the question of internet speed. He said his company provides an internet service for auctions of all types by bringing in audio & video equipment so people from all over the U.S. can log in and bid in real time. Mr. Heimer said people in rural areas on dial-up service can not participate because the speeds are just too slow. He

reported the necessary internet speed for participants is a minimum of 300 k up and about 700 – 800 k down.

➤ 15th Witness: Terry Daw – Daw Repair, Farmington, MO

Mr. Daw testified they needed faster access to the internet for their business in order to download repair graphics, parts pictures and break-downs from Case, Deere, etc. He stated dial-up is just too slow and unreliable. He gave examples of how he sometimes has to spend 3 – 5 hours trying to look for parts and how he sometimes spends hours trying to download repair documents, only to lose the connection. Mr. Daw urged the Task Force to not concentrate on getting just minimum high-speed internet services to the rural areas, but to try to keep in mind how technology continually keeps upgrading. He said he can not get DSL or wireless service at his home / business. Mr. Daw said he has looked into satellite internet service, but there is a very long waiting list and his satellite TV service is not always very reliable so he's worried about that, as well as the high cost of it.

➤ 16th Witness: Shane Mayes - CEO, Onshore Technology Services in Macon, MO

Mr. Mayes asked to make a few more remarks. Mr. Mayes said a lot of people had been talking about building a business case based on the needs of rural Missouri. He said there was a need in the metropolitan areas and other cities for 'Disaster Recovery Centers' and there is a new business model called 'Software Business Server'; also a lot of companies need content. There could be a way to justify having bandwidth in rural Missouri by leveraging some of the larger companies in the state. Mr. Mayes suggested going to companies such as MasterCard, Express Scripts or Anheuser-Busch and presenting a plan to give them a low cost workforce and a 'Disaster Recovery Center' right here in Missouri. He also said there are U.S. companies subject to data control laws, which means specific types of information can not be sent out of the country, and these companies think nothing of spending millions of dollars to build data centers and infrastructures in rural areas, if they are going to get a long-term, low cost workforce to support it. Mr. Mayes also suggested extending low cost loans to the ten top companies in Missouri for building such data centers. He remarked that the purchasers of rural bandwidth are not only in rural Missouri, they're in the larger cities.

➤ 17th Witness: Greg Fritts – USDA Rural Utilities Service

Mr. Fritts wished to let the Task Force know that the next recommendation that coming out from the USDA Utilities Program regarding minimum internet speed would be 1 'meg' up and 1 'meg' down.

4. Adjournment

Sen. Shoemyer thanked everyone for coming to Hannibal – America's Home Town and Hannibal-LaGrange College. He then adjourned the meeting at approximately 5:14 p.m.